

ASSEMBLY BILL

No. 1529

Introduced by Assembly Member John A. Pérez

January 17, 2014

An act to add Section 5008.9 to the Corporations Code, relating to nonprofit corporations.

LEGISLATIVE COUNSEL'S DIGEST

AB 1529, as introduced, John A. Pérez. Nonprofit corporations: dissolution.

Existing law authorizes and regulates the formation and operation of a corporation, nonprofit public benefit corporation, nonprofit mutual benefit corporation, or nonprofit religious corporation, including, but not limited to, the adoption and contents of corporate bylaws.

This bill would require the office of the Secretary of State, the Franchise Tax Board, and the office of the Attorney General to collectively review and develop a streamlined process to efficiently dissolve a nonprofit corporation to the extent that this process is consistent with other sections of law.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) There are more than 144,000 nonprofit corporations in
- 4 California that provide a variety of programs and services in areas
- 5 as diverse as education, recreation, health care, legal, job training,

1 and housing to millions of Californians. These organizations,
2 depending on their formation status, are required to register with
3 the office of the Secretary of State, the Franchise Tax Board, and
4 the office of the Attorney General.

5 (b) Each of these state agencies has a specific role to play in the
6 establishment and oversight of a nonprofit corporation.

7 (c) The office of the Secretary of State is in charge of
8 administering the process for a nonprofit corporation that chooses
9 to incorporate and also has the continued duty to ensure that the
10 nonprofit corporation adheres to the mission for which it was
11 formed.

12 (d) The Franchise Tax Board has the responsibility of
13 determining, reviewing, and monitoring the state tax-exempt status
14 of a nonprofit corporation to ensure that its tax-exempt status still
15 applies.

16 (e) The California Attorney General regulates the nonprofit
17 organizations and individuals that administer or solicit charitable
18 funds or assets in California and has broad legal and statutory
19 authority to commence enforcement actions against charitable
20 organizations and trusts.

21 (f) Through each of their roles, the office of the Secretary of
22 State, the Franchise Tax Board, and the office of the Attorney
23 General play a crucial role in ensuring that the nonprofit
24 corporations of California are adequately protecting the public's
25 trust.

26 (g) Every year, hundreds of nonprofit corporations seek
27 administrative changes to expand their mission or alter their tax
28 status, and, in some cases, to even go out of existence. This
29 dissolution process, which involves the winding down of the
30 nonprofit corporation's affairs, is very cumbersome and protracted.

31 SEC. 2. Section 5008.9 is added to the Corporations Code, to
32 read:

33 5008.9. In order to more effectively analyze and monitor the
34 status, finances, and activities of a corporation, as defined in
35 Section 5046, in the state, the office of the Secretary of State, the
36 Franchise Tax Board, and the office of the Attorney General shall
37 collectively review and develop a streamlined process to efficiently

- 1 dissolve a corporation to the extent that this process is consistent
- 2 with other sections of law.

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